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TO RUEHC/SECSTATE WASHDC PRIORITY 1652  
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RUEHNC/AMEMBASSY NOUAKCHOTT PRIORITY 0774  
RUEHFR/AMEMBASSY PARIS PRIORITY 1620  
RUEHRB/AMEMBASSY RABAT PRIORITY 8201  
RUEHTRO/AMEMBASSY TRIPOLI PRIORITY 0382  
RUEHCL/AMCONSUL CASABLANCA PRIORITY 3983  
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY  
RUCPDOG/USDOC WASHDC PRIORITY

UNCLAS SECTION 01 OF 02 TUNIS 002173

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STATE FOR NEA/MAG (MHARRIS) AND EB/CIP  
STATE PASS USTR (BELL), USPTO (ADLIN), USAID (METZGER)  
USDOC FOR ITA/MAC/ONE (ROTH), ADVOCACY CTR (JAMES), AND  
CLDP (TEJTEL)  
CASABLANCA FOR FCS (RORTIZ)  
PARIS FOR NEA WATCHER

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [ETRD](#) [ELAB](#) [TS](#)

SUBJECT: TUNISIA ECONOMIC HIGHLIGHTS: JULY - AUGUST 14

REF: TUNIS 1946

[¶1.](#) (U) This cable contains highlights of recent economic developments in Tunisia on the following topics:

- [¶A.](#) Minimum Wage Increase
- [¶B.](#) Tunisian and Mauritanian Central Banks to Cooperate
- [¶C.](#) Arab Fund for Development Finances Tunisian Power Plant
- [¶D.](#) GOT to Liberalize the Cereal Sector
- [¶E.](#) GOT Blocks, Then Unblocks, Export of Tomato Paste

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[¶A.](#) MINIMUM WAGE INCREASE  
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[¶2.](#) (U) The Prime Minister announced an increase of 7 dinars (roughly 5 USD) per month in the Minimum Guaranteed Wage (SMIG) for the Tunisian-standard 48-hour work week and 6 dinars per month in the SMIG for the Tunisian-standard 40-hour work week. The monthly SMIG will now be 231 dinars (75 USD) and 200 dinars (151 USD), respectively. The Minimum Guaranteed Agricultural Wage (SMAG) will also increase by 245 millimes (20 cents US) a day for a total minimum wage of 7.129 dinars per day. According to the government, approximately 280,000 workers will be affected by these wage increases.

[¶3.](#) (SBU) Comment: While most workers receive at least the minimum wage, many Tunisian employers pay their workers less than the minimum guaranteed wage due to inadequate enforcement of the law. Due to the high rate of unemployment, many Tunisians are willing to accept jobs below the minimum rate. End comment.

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[¶B.](#) TUNISIAN AND MAURITANIAN CENTRAL BANKS TO COOPERATE  
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[¶4.](#) (U) The Governments of Tunisia and Mauritania signed a framework agreement that will improve cooperation between their two respective central banks. The two banks have agreed to exchange information and experts in order to facilitate the movement of capital between the two countries and to prevent crises and shocks at both the regional and

international levels.

¶5. (SBU) Comment and Background: The agreement reflects the growing trade and investment between the two countries, especially in the IT sector. In 2000, the Tunisian state-owned Telecom operator Tunisie Telecom became a shareholder in the Mauritanian state-owned telecom operator MATTEL. In 2005, the volume of the Tunisian IT sector's business in Mauritania totaled 27 million Tunisian dinars (roughly 20.7 million USD). In 2003 Tunisian exports to Mauritania totaled 4.1 million USD, growing to 9.2 million in 2005. End comment and background.

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¶C. ARAB FUND FOR DEVELOPMENT FINANCES TUNISIAN POWER PLANT  
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¶6. (U) On July 6, the Arab Fund for Economic and Social Development signed an agreement to co-finance a USD 115 million power plant in the city of Ghannouch. The loan is repayable over 20 years with an interest rate of 4.5 percent and a grace period of five years. The investment provides funds for civil engineers and equipment, engineering studies, and for improving connections to the national power grid. The Arab Fund has invested in 44 projects in Tunisia, representing a total investment of 2.2 billion dollars.

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¶D. GOT TO LIBERALIZE CEREAL SECTOR  
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¶7. (U) According to the Director General of the Cereal Office, the GOT is moving towards the progressive

TUNIS 00002173 002 OF 002

liberalization of the cereal sector. The process will concern two separate activities of the sector. The Cereal Office and private operators have signed an agreement allowing private companies to harvest, collect, and store the domestic cereal crop. The GOT is in the process of drafting the required legislation, expected by the end of 2007, to allow private sector participation in this industry. The GOT also plans to liberalize cereal imports by 2008-2009, starting first with the import of barley and flour.

¶8. (SBU) Comment: This is not the first time that the GOT has announced plans to liberalize the importation of cereals. As no concrete steps have been taken towards trade liberalization, the GOT's commitment to this reform remains unclear. U.S. wheat would be very competitive in a liberalized Tunisian market as the Tunisian wheat market is likely to be more quality-responsive once the GOT loosens its grip. The U.S. wheat industry would be well-positioned to compete against the low-quality, less-expensive wheat sourced from other countries. End comment.

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¶E. GOT BLOCKS, THEN UNBLOCKS, EXPORT OF TOMATO PASTE  
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¶9. (SBU) According to local reports, Tunisian Customs officials "informally", but temporarily, blocked the export of tomato paste by refusing to complete necessary export procedures. Following complaints by tomato paste producers, the Minister of Commerce intervened to correct the situation. This followed a reported 20 percent reduction in the tomato crop this year. According to unconfirmed reports, the blockage could have been indicative of a desire to secure higher prices for this product, a staple of Tunisian cuisine, as Ramadan approaches. Approximately two-thirds of Tunisia's tomato crop is normally turned into tomato paste. Tunisia's annual production of tomato paste represents approximately 170 million dinars (129 million USD).

